

Message Text

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ACTION AGR-08

INFO OCT-01 ARA-06 ISO-00 EB-07 COME-00 TRSE-00 OIC-02

AID-05 CIAE-00 INR-07 NSAE-00 PRS-01 PA-01 USIA-06

L-02 SP-02 /048 W

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R 122347Z FEB 75

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 6177

INFO AMEMBASSY BUENOS AIRES

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PASS AGRICULTURE FOR SMITH/NOVOTNY

E.O. 11652: N/A

TAGS: AG/A, OTRA, AR

SUBJECT: CORN IMPORT REQUIREMENTS

REF: MEXICO 935. FASTO 14

1. AG ATTACHES WELTON AND JACOBS MET AGAIN WITH CONASUPO
OFFICIALS, DE LA VEGA, DIAS BALLESTEROS AND PEREZ JACOME TO
DISCUSS CONASUPO'S CORN IMPORT NEEDS OCT 74 THROUGH SEPT 75.
THEY HAD PREPARED FOR EXAMINATION AND DISCUSSION REVISED
SUPPLY/DISTRIBUTION TABLE BASED ON CURRENT INFORMATION
AVAILABLE AS FOLLOWS: THEY ARE NOW SHOWING 74-75 PRODUCTION
AT 7.7 MILLION MT OF WHICH 1.2 MILLION MT IS WINTER CROP
JUST PLANTED FOR MAY/JUNE HARVEST. THEY ESTIMATE CONSUMPTION
AT 10,450 THOUSAND MT. IMPORT NEEDS WERE SHOWN AT 2,750 THOUSAND
MT. IMPORT PURCHASES FROM OCT 1 TO DATE TOTALLING 1,923
THOUSAND MT HAVE BEEN MADE AS FOLLOWS: A) FROM US 918,000
WHICH REFLECTS 5 PERCENT AVERAGE OVER ACTUAL CONTRACTS WHICH
THEY EXPECT GET BY EXERCISING 10 PERCENT PLUS OR MINUS BUYERS
OPTION CLAUSE ON OUTSTANDING CONTRACTS OF NOT YET SHIPPED:
B) 55,000 BOUGHT FROM MOZAMBIQUE (RHODESIA); C) 150,000
FROM ARGENTINA LAST OCT. PLUS ADDITIONAL 800,000 CONTRACTED

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LAST WEEK. THIS LEAVES MINIMUM OF 800,000 YET TO BE CONTRACTED

FOR ARRIVAL BEFORE REPEAT BEFORE OCT 1, 1975. THEY SHOWED
74-75 BEGINNING STOCKS IN CONASUPO'S HANDS AT 737,000
MT WHICH THEY POINTED OUT IS LOW LEVEL BUT ARE PREPARED ALLOW
CONASUPO'S ENDING STOCKS DROP TO 600,000 MT WHICH THEY
CONSIDER ABSOLUTE MINIMUM DESIRABLE LEVEL.

2. FULLY REALIZE THAT S&D OUTLINED PARA 1 WOULD RESULT IN
BUILDUP IN STOCKS TO LEVEL 810 THOUSAND TONS RATHER THAN
DRAWDOWN TO 600 THOUSAND AS SEEN BY CONASUPO BUT CONASUPO
BASING ENDING STOCKS ON THEIR OWN SALES ESTIMATE THROUGH
SEPT 30 RATHER THAN TOTAL (ACTUAL) CONSUMPTION. THEY
HAVE BEEN ABLE TO BUY ONLY 170,000 TONS FROM THE DOMESTIC
CROP JUST HARVESTED WHILE IN NORMAL YEARS THEY WOULD HAVE
GOTTEN AT LEAST ONE MILLION TONS. THIS 170,000 PLUS ADDITIONAL
70,000 TONS THEY EXPECT GET FROM WINTER CROP COMING UP PLUS
INTERNATIONAL PURCHASES OUTLINED PARA 1 PLUS BEGINNING STOCKS
GIVE THEM TOTAL 2.9 MILLION TONS. ASSUMING THAT THEY GET
ADDITIONAL 800,000 TONS FROM US, TOTAL CONASUPO SUPPLIES FOR
YEAR WOULD BE 3.7 MILLION TONS. THEIR ESTIMATED SALES FOR
FULL YEAR IS 3.1 MILLION TONS, LEAVING ENDING STOCKS AT 600
THOUSAND.

3. COMMENT: WE BELIEVE CONASUPO'S 74-75 PRODUCTION ESTIMATE
OF 7.7 MILLION TONS IS ACCEPTABLE GIVEN DIFFICULTY OBTAINING
ACCURATE DATA AND ALLOWING REASONABLE MARGIN OF ERROR.
WHILE THEIR CONSUMPTION FIGURE SLIGHTLY HIGHER THAN OURS,
THEIR SERIES SHOWS AN ANNUAL INCREASE OF ABOUT 3 PERCENT
WHICH APPEARS REASONABLE. WE BELIEVE TOO THAT CONASUPO'S
STOCKS MUST BE VIEWED SEPARATELY FROM COUNTRY-WIDE STOCKS
DUE FACT THAT COUNTRY STOCKS IN HAND THOUSANDS CAMPESINOS
HOLDING ONLY FEW BUSHELS EACH. DUE PERSISTENT RUMORS SHORTAGES
CORN AND OTHER FOODSTUFFS FARMERS HOARDING WHILE REFUSING
DELIVER TO CONASUPO THUS OVERALL BUILDUP IN STOCKS APPARENTLY
UNAVOIDABLE. ON THE OTHER HAND, CONASUPO WOULD FACE SERIOUS
REPEAT SERIOUS PROBLEMS IF THEY CANNOT OBTAIN SUPPLIES TO
MEET PURCHASE DEMANDS OF THE POORER CLASSES WHICH THEY SERVE
THROUGH 4,000 RETAIL OUTLETS THROUGHOUT MEXICO. CONASUPO
PLANNING BUY 350,000 TONS CORN PLUS 150,000 TONS SORGHUM
ALREADY APPROVED BY USDA IN TWO INSTALLMENTS BEGINNING FEB. 13.
WE HOPE IT WILL BE POSSIBLE TO APPROVE REMAINING 450,000
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TONS TO MAXIMUM EXTENT POSSIBLE IN NEAR FUTURE IN VIEW
CONASUPO'S PROBLEM OF OBTAINING SUPPLIES LOCALLY AND THEIR
PAST PERFORMANCE AS LARGE AND RELIABLE CASH CUSTOMER FOR US
COMMODITIES. APPARENT TO US THAT THEIR PRIMARY AIM IS TO GET
ADEQUATE SUPPLIES TO MEET THEIR OWN SALES REQUIREMENT (THEIR
CURRENT STOCKS REPORTED AT ONLY 335,000 TONS) AND THEY WILL
SEEK OTHER SUPPLIERS IF US UNABLE TO APPROVE FURTHER SALES.
JOVA

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Margaret P. Grafeld
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